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~~TOP SECRET~~  
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181

GENERAL

1. US suspends negotiations for Czech credit--Secretary Byrnes has asked that current negotiations for an Exim Bank loan to Czechoslovakia be suspended, provided no definite commitment to make the loan has been made. Further sales of surplus property to the Czech Government have also been stopped (see Daily Summary of 4 September, item 2). The Secretary does not consider it advisable to contribute in any way to propaganda which characterizes US financial assistance as an imperialist move to "enslave" Eastern European states.
2. Byrnes urges suspension of US Red Cross program in Albania--Secretary Byrnes has also requested Acting Secretary Clayton to do "everything possible consistent with our policy" to dissuade the American Red Cross from proceeding with its Albanian program.
3. Bevin's position on Palestine--US Charge Gallman reports that at a private meeting of the Palestine conference on 16 September, Foreign Minister Bevin set forth, "as essential elements to any solution," (a) separation of the Arab and Jewish communities, (b) continued immigration into Palestine, (c) progress by Palestine towards independence, (d) establishment in Palestine of self-government by both peoples, and (e) an end to the tension in Palestine. Gallman adds that the Arabs agreed to consider these points and comment on them "in a day or two."
4. USSR protests "restrictions" on its personnel in Italy--In a note to US Embassy Moscow, the Soviet Foreign Office has protested "obstacles" to travel in Italy "placed in the way of Soviet representatives." The note declares that this procedure is "in sharp contrast" to "freedom of travel" accorded UK and US representatives in Hungary, Rumania and Bulgaria and requests immediate corrective action.

EUROPE

5. USSR: Communist Party shakeup continues--US Military Attache Moscow reports reliable evidence that new denunciations of Party Committees are in progress. Those singled out include Party organizations of the Tadzhik S.S.R. (in Central Asia) and the Soviet Army periodical Krasnoarmeets, trade union organizations in Minsk, and the Ministry

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of Cinematography.

The MA also suggests that Party instructions drawing demobilized military personnel into active Party work indicates an effort to obtain more complete political control of veterans and to offset foreign influence on them.

6. **HUNGARY:** Nagy cites lack of Soviet support--According to US Minister Schoenfeld, Prime Minister Nagy is "reliably reported" to have told Vyshinski in Paris that (a) Hungary had adjusted its foreign policy to Soviet objectives; (b) Anglo-American requests had often been rejected in the assurance that the USSR would support Hungary at the Peace Conference; and (c) the ensuing lack of Soviet support had resulted in strong unrest in Hungary. Nagy expressed the hope that Soviet policy would take these facts into account.

Government seeks ties with West--The Hungarian Minister to France has told US delegates in Paris that the Hungarian Communist delegates to the Peace Conference had had little success in finding sympathy for Hungary among delegates of Soviet satellite states. The Hungarian Minister also stated that non-Communist Hungarians in Paris "are looking forward" to closer ties with Austria and Italy as a way out of Slav encirclement.

7. **POLAND:** Mikolajczyk recalled from Denmark--US Ambassador Lane has been reliably informed that the Presidium of the Peasant Party has asked Mikolajczyk (who is in Copenhagen) to return immediately in order to attend to "very important matters."
8. **GERMANY:** ACC disagreement on German press freedom--Murphy reports that the latest discussion of German press freedom in the Political Directorate led to a bitter exchange between the UK and Soviet delegates. The Soviet Representative insisted unsuccessfully that the British "condemn" attempts of the British-licensed Socialist Party press to induce Socialists in the Soviet zone to "invalidate" their ballots in the recent elections.
9. **ITALY:** Government crisis continues--US Embassy Rome reports indications that the left wing of the Christian Democrats (the largest Italian party) is determined to have a "showdown" with the Communists. On

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the other hand, according to the head of the Bank of Italy, De Gasperi hopes to defer an all-out attack on the Communists until two or three months before the general election.

#### NEAR EAST-AFRICA

10. IRAN: Soviet troops reported withdrawn from border--According to US Military Attache Tehran, the Soviet division and regiment previously reported bivouacked near the Caspian Sea on the Soviet-Azerbaijan border has been withdrawn to a point about 25 miles behind the border. The MA adds that the Azerbaijan Government, apparently in the expectation of maintaining indefinite control of the province, is recruiting women to join its Army for a five-year period,

Firuz at odds with Army--US Ambassador Allen reports that Prince Firuz appears to have alienated another important group by arresting an Iranian colonel accused of having been involved in the Bakhtiari plot. Allen believes that the arrest actually was a result of the fact that the colonel commanded troops which put down the Tudeh-inspired riots in Khuzistan in July. After the row both the colonel and the Minister of War submitted their resignations, but withdrew them when Qavam apologized for the incident.

#### FAR EAST

11. FRENCH INDOCHINA: Provisions of new agreement--Caffery reports that the French Viet-Nam joint declaration and modus vivendi signed on 14 September provides for the temporary establishment of a customs union and free trade in the Indochinese Federation, and the suspension of both hostilities and unfriendly propaganda by both parties in Cochin China. Caffery adds that the French and Ho Chi Minh are believed to have agreed orally to the withdrawal or surrender of Viet Nam resistance elements in Cochin China.

Anxiety over Communist activities--US Consul Saigon reports that French authorities are concerned over the increase of Communist propaganda and activities among Chinese Communists and Annamites in Viet Nam and to a lesser extent in Cochin China. French officials state

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that the strength of the Communist Party in Metropolitan France precludes unfavorable mention of Communist activities in Indochina.

12. CHINA: Communists may "back down"--According to US Military Attache Nanking, "informed circles" in China generally agree that (a) the Communists recognize the weakness of their present position, and (b) "hope is growing" that the present deadlock will be broken by a Communist "backdown." The MA is "convinced" that the Communists are at present receiving no backing or encouragement from any third power.
13. N.E.I.: Allied efforts toward military truce in Java and Sumatra--US Consul General Batavia reports that British General Mansergh has ordered Allied forces to avoid overt acts and minimize incidents involving Indonesian forces. This move is designated to indicate Allied desire for peace and encourage similar steps by Indonesian military leaders. However, certain of these leaders, who are opposed to truce negotiations, have repeatedly blocked arrangements to which Indonesian political leaders had already given consent.

#### THE AMERICAS

14. PERU: Recognition of USSR opposed--The Peruvian Foreign Minister has informed US Ambassador Cooper that his Government intends to postpone diplomatic recognition of the USSR "as long as possible."

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